

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

September 28, 2015

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee For School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Change In Accounting Principle

As described in Note 17 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions and budgetary comparison information on pages 4-7, 43-45 and 46-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statements of receipts, disbursements and fund balances-Activity Funds and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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The Activity Fund statements, combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the activity fund statements, combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marr, Miller & Myers, PSC

Certified Public Accountants

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

This section of the financial statements for the Corbin Independent School District (District) presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2015. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2,580,493 in 2015 and \$2,093,210 in 2014.
- The General Fund had \$20,275,124 in revenues (excluding interfund transfers), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$19,789,724 in General Fund expenditures.
- Governmental capital assets had a net increase of \$2,616,043. Business-type capital assets had a net increase of \$3,163 during the current fiscal year.
- Bonds are issued as the District renovates and constructs facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Department of Education stringent compliance regulations. The total debt increased by \$1,299,434.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 10 of this report.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are for day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2015

Fiscal year 2014 government-wide net position compared to 2015 is as follows:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 4,684,937	\$ 2,536,016
Capital assets	47,212,766	46,118,716
Deferred outflows (inflows) of resources	93,935	3,575
Total Assets and Deferred Outflows (Inflows) of Resources	<u>\$ 51,991,638</u>	<u>\$ 48,658,307</u>
Current liabilities	\$ 2,641,312	\$ 2,654,605
Noncurrent liabilities	34,999,213	29,953,490
Total Liabilities	<u>\$ 37,640,525</u>	<u>\$ 32,608,095</u>
Net position		
Net investment in capital assets	\$ 14,528,971	\$ 15,555,847
Restricted	1,809,001	821,622
Unrestricted (deficit)	(1,986,859)	(327,257)
Total Net Position	<u>\$ 14,351,113</u>	<u>\$ 16,050,212</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

The most significant change in the financial position of the District since the last audit was the increase in current assets in the amount of \$2,148,921. The District also had an overall increase in liabilities in the amount of \$5,032,430. These increases were primarily due to bond proceeds and the related liability incurred in 2015 along with the recognition of the CERS net pension liability of \$3,614,000. The investment in capital assets, net of related debt had a decrease in the amount of \$1,026,876.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2015</u>	<u>Percent</u>	<u>2014</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 4,455,748	14.79%	\$ 4,366,112	12.62%
State revenue sources	20,116,994	66.76	18,363,087	53.09
Federal revenue sources	2,539,091	8.43	2,256,442	6.52
Bond proceeds	<u>3,021,000</u>	<u>10.02</u>	<u>9,605,000</u>	<u>27.77</u>
Total revenues and other financing services	<u>30,132,833</u>	<u>100.00</u>	<u>34,590,641</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	15,834,214	52.55	14,668,253	42.41
Student support services	430,548	1.43	401,980	1.16
Instruction staff	462,155	1.53	435,224	1.26
District administration	778,425	2.58	848,262	2.45
School administration	1,449,441	4.81	1,388,853	4.01
Business	755,048	2.51	639,206	1.85
Plant operations and maintenance	2,264,705	7.52	2,047,353	5.92
Student transportation	1,205,366	4.00	1,119,345	3.24
Other instructional	5,055	.02	11,510	.03
Land improvements	426,812	1.42	-	-
Building acquisitions and construction	317,185	1.05	-	-
Site improvement	1,226,926	4.07	256,814	.74
Community services activities	212,839	.71	216,634	.63
Bond discount	13,950	.05	-	-
Bond fees/issuance costs	42,731	.14	-	-
Payment of bonds and note	1,721,566	5.71	12,516,369	36.19
Payment of interest	1,113,331	3.69	-	-
Operating transfers (net)	-	-	65,008	.18
Total expenditures and other financing uses	<u>28,260,297</u>	<u>93.79</u>	<u>34,614,811</u>	<u>100.07</u>
Net change in fund balance	<u>\$ 1,872,536</u>	<u>6.21%</u>	<u>\$ (24,170)</u>	<u>(.07)%</u>

The majority of the District's revenues were derived from state revenue sources, making up 66.76% of total revenues in 2015 as compared to 53.09% in 2014. Bond proceeds comprised 10.02% of total revenues in 2015 as compared to 27.77% in 2014. Federal revenue sources comprised 8.43% of total revenues in 2015 as compared to 6.52% in 2014.

The majority of the District's expenditures were for instruction, making up 52.55% of total expenditures in 2015 as compared to 42.41% in 2014. Student transportation comprised 4.00% of the District's total expenditures in 2015 as compared to 3.24% in 2014. Plant operations and maintenance comprised 7.52% of the District's total expenditures in 2015 as compared to 5.92% in 2014. Capital assets of \$2,628,836 were charged to expenditures in 2015 as compared to \$467,700 in 2014.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

Comments on Budget Comparisons

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the 2014-15 budget with \$1,048,390 in contingency (5.50%).

- The District's total general fund revenues for the fiscal year ended June 30, 2015 were \$20,275,124.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$1,223,751 more than budget or 6.42%. This is mainly attributed to on-behalf payments being \$704,576 more than budget.
- The District's total general fund expenditures for the fiscal year ended June 30, 2015 were \$19,789,724.
- General fund budgeted expenditures compared to actual varied in instruction support with them being \$167,278 over budget. Business support services closed with a budget deficit of \$109,461. Plant operations and maintenance closed with a budget deficit of \$174,060. Student transportation also closed with a budget deficit of \$45,507. Overall general fund expenditures compared to budget were \$754,225 or 3.67% less than budget. When the on-behalf payment difference of \$704,576 is eliminated, expenditures were \$1,458,801 less than budget.

Future Budget Implications

The District adopted a budget for 2015-16 with \$1,573,418 in contingency (7.59%). Significant Board action that impacts the finances includes the funding of extra-curricular activities, KETS matching funds, the KSBIT liability assessment and construction of the new Corbin Middle School.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Alicia Logan, Certified School Financial Officer, at (606) 523-3935 or by mail at 108 Roy Kidd Avenue, Corbin, KY 40701.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
June 30, 2015

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,270,969	\$ 309,524	\$ 2,580,493
Accounts receivable:			
Taxes – current	78,654	-	78,654
Accounts receivable	1,605,671	12,030	1,617,701
Intergovernmental – state	13,500	-	13,500
Intergovernmental – federal	281,992	65,105	347,097
Materials and supplies inventory	-	47,492	47,492
Total current assets	<u>4,250,786</u>	<u>434,151</u>	<u>4,684,937</u>
NONCURRENT ASSETS			
Capital assets, net	47,129,089	83,677	47,212,766
Total noncurrent assets	<u>47,129,089</u>	<u>83,677</u>	<u>47,212,766</u>
DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES	<u>93,935</u>	<u>-</u>	<u>93,935</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES	<u>51,473,810</u>	<u>517,828</u>	<u>51,991,638</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	149,596	20,096	169,692
Construction retainage payable	69,042	-	69,042
Deferred revenue	155,240	-	155,240
Interest payable	335,828	-	335,828
Current portion of bond obligations	1,592,549	-	1,592,549
Current portion of note payable	200,000	-	200,000
Current portion of accumulated sick leave payable	95,000	-	95,000
Current portion of insurance claims payable	23,961	-	23,961
Total current liabilities	<u>2,621,216</u>	<u>20,096</u>	<u>2,641,312</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	30,491,246	-	30,491,246
Noncurrent portion of note payable	400,000	-	400,000
Noncurrent portion of accumulated sick leave payable	374,162	-	374,162
Noncurrent portion of insurance claims payable	119,805	-	119,805
Net pension liability - CERS	3,614,000	-	3,614,000
Total noncurrent liabilities	<u>34,999,213</u>	<u>-</u>	<u>34,999,213</u>
TOTAL LIABILITIES	<u>37,620,429</u>	<u>20,096</u>	<u>37,640,525</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	14,445,294	83,677	14,528,971
Restricted for:			
Capital projects	1,284,196	-	1,284,196
Other	110,750	414,055	524,805
Unrestricted (deficit)	<u>(1,986,859)</u>	<u>-</u>	<u>(1,986,859)</u>
TOTAL NET POSITION	<u>\$ 13,853,381</u>	<u>\$ 497,732</u>	<u>\$ 14,351,113</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 16,445,423	\$ 69,319	\$ 3,688,067	\$ 2,248,249
Support services:				
Student	426,684	-	-	-
Instructional staff	471,914	-	-	-
District administration	797,941	-	-	-
School administration	1,447,736	-	-	-
Business	738,705	-	-	-
Plant operations and maintenance	2,615,568	-	-	-
Student transportation	920,596	-	-	-
Other instructional	5,055	-	-	-
Community services activities	175,972	228,835	-	-
Interest on long-term debt	1,147,799	-	-	-
Bond fees/issuance costs/amortization	33,519	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 25,226,912</u>	<u>\$ 298,154</u>	<u>\$ 3,688,067</u>	<u>\$ 2,248,249</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 1,631,900	\$ 377,170	\$ 1,354,241	\$ -
Day care	373,819	348,667	70,089	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 2,005,719</u>	<u>\$ 725,837</u>	<u>\$ 1,424,330</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 27,232,631</u>	<u>\$ 1,023,991</u>	<u>\$ 5,112,397</u>	<u>\$ 2,248,249</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

Governmental Activities	Business-Type Activities	Total
\$ (10,439,788)		\$ (10,439,788)
(426,684)		(426,684)
(471,914)		(471,914)
(797,941)		(797,941)
(1,447,736)		(1,447,736)
(738,705)		(738,705)
(2,615,568)		(2,615,568)
(920,596)		(920,596)
(5,055)		(5,055)
52,863		52,863
(1,147,799)		(1,147,799)
(33,519)		(33,519)
<u>(18,992,442)</u>		<u>(18,992,442)</u>
	\$ 99,511	99,511
	<u>44,937</u>	<u>44,937</u>
	<u>144,448</u>	<u>144,448</u>
		<u>(18,847,994)</u>

GENERAL REVENUES

Taxes			
Property	2,760,272	-	2,760,272
Motor vehicle	460,052	-	460,052
Utilities	630,780	-	630,780
Revenue in lieu of taxes	35,423	-	35,423
State and formula grants	16,684,346	-	16,684,346
Earnings on investments	3,286	60	3,346
Loss on disposal of fixed assets	(527)	-	(527)
Other local revenues	<u>303,203</u>	<u>-</u>	<u>303,203</u>
Total general revenues	<u>20,876,835</u>	<u>60</u>	<u>20,876,895</u>
Change in net position	<u>1,884,393</u>	<u>144,508</u>	<u>2,028,901</u>
Net position, July 1, 2014, as previously reported	15,696,988	353,224	16,050,212
Restatement for adoption of GASB 68	<u>(3,728,000)</u>	<u>-</u>	<u>(3,728,000)</u>
Net position, July 1, 2014, as restated	<u>11,968,988</u>	<u>353,224</u>	<u>12,322,212</u>
Net position, June 30, 2015	<u>\$ 13,853,381</u>	<u>\$ 497,732</u>	<u>\$ 14,351,113</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 2,592,058	\$ (138,682)	\$ (182,407)	\$ 2,270,969
Accounts receivable:				
Taxes – current	78,654	-	-	78,654
Accounts receivable	1,500	6,952	1,597,219	1,605,671
Intergovernmental – state	-	13,500	-	13,500
Intergovernmental – federal	-	281,992	-	281,992
TOTAL ASSETS AND RESOURCES	<u>\$ 2,672,212</u>	<u>\$ 163,762</u>	<u>\$ 1,414,812</u>	<u>\$ 4,250,786</u>
LIABILITIES				
Accounts payable	\$ 79,500	\$ 8,522	\$ 61,574	\$ 149,596
Construction retainage payable	-	-	69,042	69,042
Deferred revenue	-	155,240	-	155,240
TOTAL LIABILITIES	<u>79,500</u>	<u>163,762</u>	<u>130,616</u>	<u>373,878</u>
FUND BALANCES				
Restricted				
Sick leave payable	95,000	-	-	95,000
Future construction projects (BG-1)	-	-	1,284,196	1,284,196
Assigned				
Site based carry forward	21,911	-	-	21,911
Other	88,839	-	-	88,839
Unassigned	2,386,962	-	-	2,386,962
TOTAL FUND BALANCES	<u>2,592,712</u>	<u>-</u>	<u>1,284,196</u>	<u>3,876,908</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,672,212</u>	<u>\$ 163,762</u>	<u>\$ 1,414,812</u>	<u>\$ 4,250,786</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2015

Total fund balances – governmental funds	\$ 3,876,908
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$66,316,043, and the accumulated depreciation is \$19,186,954.	47,129,089
Bond discounts, net of amortization are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	26,737
CERS contributions subsequent to the measurement date (\$470,198) net of the net difference between projected and actual earnings on CERS pension plan investments are reported as deferred outflows (inflows) of resources in governmental funds.	67,198
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(32,083,795)
Note payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(600,000)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(469,162)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(335,828)
Insurance claims liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(143,766)
Net CERS pension liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(3,614,000)</u>
Total Net Position - Governmental Activities	<u>\$ 13,853,381</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Special Revenue
REVENUES		
From local sources:		
Taxes		
Property	\$ 1,957,646	\$ -
Motor vehicle	460,052	-
Utilities	630,780	-
Earnings on investments	2,482	-
Other local revenues	464,683	136,675
Intergovernmental – state	16,719,769	1,148,976
Intergovernmental – indirect federal	39,712	-
Intergovernmental – direct federal	-	2,297,497
TOTAL REVENUES	<u>20,275,124</u>	<u>3,583,148</u>
EXPENDITURES		
Instruction	12,741,252	3,092,962
Support services:		
Student	400,548	30,000
Instructional staff	293,060	169,095
District administration	778,425	-
School administration	1,368,441	81,000
Business	755,048	-
Plant operations and maintenance	2,264,705	-
Student transportation	1,183,190	22,176
Other instructional	5,055	-
Land improvements	-	-
Building acquisitions and construction	-	-
Site improvement	-	-
Community services activities	-	212,839
Payment of bonds and note	-	-
Payment of interest	-	-
TOTAL EXPENDITURES	<u>19,789,724</u>	<u>3,608,072</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>485,400</u>	<u>(24,924)</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Bond discount	-	-
Bond fees/issuance costs	-	-
Operating transfers in	552,205	62,469
Operating transfers out	(62,469)	(37,545)
TOTAL OTHER FINANCING SOURCES (USES)	<u>489,736</u>	<u>24,924</u>
NET CHANGES IN FUND BALANCES	975,136	-
FUND BALANCES, JULY 1, 2014	<u>1,617,576</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ 2,592,712</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 802,626	\$ 2,760,272
-	460,052
-	630,780
804	3,286
-	601,358
2,248,249	20,116,994
-	39,712
<u>201,882</u>	<u>2,499,379</u>
<u>3,253,561</u>	<u>27,111,833</u>
-	15,834,214
-	430,548
-	462,155
-	778,425
-	1,449,441
-	755,048
-	2,264,705
-	1,205,366
-	5,055
426,812	426,812
317,185	317,185
1,226,926	1,226,926
-	212,839
1,721,566	1,721,566
<u>1,113,331</u>	<u>1,113,331</u>
<u>4,805,820</u>	<u>28,203,616</u>
<u>(1,552,259)</u>	<u>(1,091,783)</u>
3,021,000	3,021,000
(13,950)	(13,950)
(42,731)	(42,731)
2,170,106	4,151,880
<u>(2,684,766)</u>	<u>(4,151,880)</u>
<u>2,449,659</u>	<u>2,964,319</u>
897,400	1,872,536
<u>386,796</u>	<u>2,004,372</u>
<u>\$ 1,284,196</u>	<u>\$ 3,876,908</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Total Net Change In Fund Balances per fund financial statements **\$ 1,872,536**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the current year capital outlays exceeded the current year depreciation expense.

Depreciation	\$ (1,516,752)	
Capital outlays	<u>2,628,836</u>	1,112,084

The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain (loss) on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition. (527)

Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in noncurrent liabilities in the statement of net position. (3,021,000)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 1,721,566

Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities. (34,468)

Discounts on bonds are reported in the governmental funds as other financing sources. However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount by which the current year discount exceeded the current year amortization expense.

Discount on bonds	27,900	
Amortization expense	<u>(4,738)</u>	23,162

Compensated absences (sick leave) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, expenditures for these amounts are measured by the amount of financial resources used (the amount paid). The difference in expenses reported in the statement of activities is a result of the change in accumulated sick leave. (65,338)

Payments on the insurance claims payable are recognized as expenditures of current financial resources in the governmental funds financial statement but are a reduction in the liability on the statement of net position. 95,180

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2015

CERS payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are shown as deferred (inflows) and outflows on the statement of net position. The amount that the current year expense and the effect on the net position is as follows:

Deferred inflow – CERS	\$ 470,198	
Current year expense – CERS	<u>(289,000)</u>	<u>181,198</u>

Change In Net Position of Governmental Activities	<u>\$ 1,884,393</u>
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The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 108,933	\$ 200,591	\$ 309,524
Materials and supplies inventory	47,492	-	47,492
Accounts receivable:			
Accounts receivable	12,030	-	12,030
Intergovernmental – federal	65,105	-	65,105
Total current assets	<u>233,560</u>	<u>200,591</u>	<u>434,151</u>
NONCURRENT ASSETS			
Capital assets, net	<u>83,677</u>	-	<u>83,677</u>
TOTAL ASSETS	<u>317,237</u>	<u>200,591</u>	<u>517,828</u>
 <u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	<u>19,690</u>	<u>406</u>	<u>20,096</u>
Total current liabilities	<u>19,690</u>	<u>406</u>	<u>20,096</u>
NET POSITION			
Net investment in capital assets	83,677	-	83,677
Restricted	<u>213,870</u>	<u>200,185</u>	<u>414,055</u>
TOTAL NET POSITION	<u>\$ 297,547</u>	<u>\$ 200,185</u>	<u>\$ 497,732</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
OPERATING REVENUES			
Tuition and fees	\$ -	\$ 348,667	\$ 348,667
Sales	<u>377,170</u>	<u>-</u>	<u>377,170</u>
TOTAL OPERATING REVENUES	<u>377,170</u>	<u>348,667</u>	<u>725,837</u>
OPERATING EXPENSES			
Salaries	431,349	191,365	622,714
Employee benefits	99,668	30,845	130,513
On-behalf payments	288,563	70,089	358,652
Purchased services	20,113	21,746	41,859
Supplies and materials	763,977	53,332	817,309
Property	4,743	5,100	9,843
Depreciation	22,250	-	22,250
Debt service and miscellaneous	<u>1,237</u>	<u>1,342</u>	<u>2,579</u>
TOTAL OPERATING EXPENSES	<u>1,631,900</u>	<u>373,819</u>	<u>2,005,719</u>
OPERATING INCOME (LOSS)	<u>(1,254,730)</u>	<u>(25,152)</u>	<u>(1,279,882)</u>
NON-OPERATING REVENUES (EXPENSES)			
Operating grants – federal	973,896	-	973,896
Operating grants – state	300,892	70,089	370,981
Donated commodities	79,453	-	79,453
Interest income	<u>60</u>	<u>-</u>	<u>60</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,354,301</u>	<u>70,089</u>	<u>1,424,390</u>
CHANGES IN NET POSITION	99,571	44,937	144,508
NET POSITION, JULY 1, 2014	<u>197,976</u>	<u>155,248</u>	<u>353,224</u>
NET POSITION, JUNE 30, 2015	<u>\$ 297,547</u>	<u>\$ 200,185</u>	<u>\$ 497,732</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Food Service	Day Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tuition and fees	\$ -	\$ 348,667	\$ 348,667
Cash received from sales	362,700	-	362,700
Cash payments for salaries and employee benefits	(819,580)	(292,299)	(1,111,879)
Cash payments for purchased services	(20,113)	(21,746)	(41,859)
Cash payments for supplies and materials	(759,770)	(59,368)	(819,138)
Net cash provided (used) by operating activities	<u>(1,236,763)</u>	<u>(24,746)</u>	<u>(1,261,509)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(4,743)	-	(4,743)
Net cash provided (used) by capital and related financing activities	<u>(4,743)</u>	<u>-</u>	<u>(4,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	60	-	60
Receipt of grants	1,274,788	70,089	1,344,877
Receipt of donated commodities	79,453	-	79,453
Net cash provided (used) by investing activities	<u>1,354,301</u>	<u>70,089</u>	<u>1,424,390</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,795	45,343	158,138
CASH AND CASH EQUIVALENTS, JULY 1, 2014	<u>(3,862)</u>	<u>155,248</u>	<u>151,386</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	<u>\$ 108,933</u>	<u>\$ 200,591</u>	<u>\$ 309,524</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$(1,254,730)	\$ (25,152)	\$(1,279,882)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation	22,250	-	22,250
Changes in assets and liabilities:			
Accounts receivable	(14,470)	-	(14,470)
Inventory	(1,852)	-	(1,852)
Accounts payable	12,039	406	12,445
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$(1,236,763)</u>	<u>\$ (24,746)</u>	<u>\$(1,261,509)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Donated commodities received from federal government			<u>\$ 79,453</u>
On-behalf payments from state government			<u>\$ 358,652</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2015

ASSETS

CURRENT ASSETS
Cash and cash equivalents
Accounts receivable
TOTAL ASSETS

School
Activity
Funds
\$ 202,540
177
202,717

LIABILITIES AND NET POSITION

CURRENT LIABILITIES
Accounts payable
Due to students
TOTAL LIABILITIES

3,564
199,153
202,717

NET POSITION

\$ -

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Corbin Independent School District are summarized as follows:

REPORTING ENTITY

The Corbin Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Corbin Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Corbin Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

CORBIN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Corbin Independent Board of Education resolved to authorize the establishment of the Corbin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Corbin Independent Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as operating expenses (net) in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Corbin Independent School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year end.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have any impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2015, the carrying amount of the District's deposits (cash and cash equivalents) was \$2,580,493 and the bank balance was \$3,850,818. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Whitaker Bank, Cecilian Bank and BNY Mellon.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$7,479,971.
- c. Largest cash, savings and time deposit combined account balance amounted to \$6,929,300 and occurred during the month of December 2014.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2015 fiscal year was based, was \$535,083,596. The tax rates assessed for the year ended June 30, 2015 to finance general fund operations were \$.599 per \$100 valuation for real estate, \$.599 per \$100 valuation for tangible property and \$.693 for motor vehicles. The District committed \$.058 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2015 were ninety-seven percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2015, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 34,761
Utilities tax	<u>43,893</u>
	<u>\$ 78,654</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES

Changes in the District's deferred outflows (inflows) of resources during the fiscal year 2015 were as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Discount on bonds, net	\$ 3,575	\$ 27,900	\$ 4,738	\$ 26,737
CERS contributions subsequent to the measurement date	-	470,198	-	470,198
Net difference between projected and actual earnings on CERS pension plan investments	-	-	403,000	(403,000)
	<u>\$ 3,575</u>	<u>\$ 498,098</u>	<u>\$ 407,738</u>	<u>\$ 93,935</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ -	\$ 1,970,923	\$ -	\$ 1,970,923
Land	3,221,818	-	-	3,221,818
Land improvements	1,841,113	-	-	1,841,113
Buildings and improvements	50,573,789	-	-	50,573,789
Technology equipment	3,318,297	256,813	12,212	3,562,898
Vehicles	1,960,998	369,090	-	2,330,088
General equipment	2,783,985	32,010	581	2,815,414
Totals at cost	<u>63,700,000</u>	<u>2,628,836</u>	<u>12,793</u>	<u>66,316,043</u>
Less accumulated depreciation:				
Land improvements	1,522,287	-	27,150	1,549,437
Buildings and improvements	11,268,532	-	956,733	12,225,265
Technology equipment	2,457,495	12,141	277,725	2,723,079
Vehicles	1,350,222	-	103,921	1,454,143
General equipment	1,083,932	125	151,223	1,235,030
Total accumulated depreciation	<u>17,682,468</u>	<u>12,266</u>	<u>1,516,752</u>	<u>19,186,954</u>
Governmental activities capital assets, net	<u>\$ 46,017,532</u>	<u>\$ 2,641,102</u>	<u>\$ 1,529,545</u>	<u>\$ 47,129,089</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 531,861	\$ -	\$ -	\$ 531,861
Technology equipment	46,124	4,743	1,580	49,287
Totals at cost	<u>577,985</u>	<u>4,743</u>	<u>1,580</u>	<u>581,148</u>
Less accumulated depreciation:				
Food service equipment	447,450	1,580	18,969	464,839
Technology equipment	29,351	-	3,281	32,632
Total accumulated depreciation	<u>476,801</u>	<u>1,580</u>	<u>22,250</u>	<u>497,471</u>
Business-type activities capital assets, net	<u>\$ 101,184</u>	<u>\$ 6,323</u>	<u>\$ 23,830</u>	<u>\$ 83,677</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 881,217
Support services:	
Student	789
Instructional staff	10,544
District administration	28,761
School administration	14,631

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Plant operations and maintenance	485,901
Student transportation	93,152
Community services activities	<u>1,757</u>
Total governmental activities	<u>\$ 1,516,752</u>

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2015 were as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Expected to be Paid Within One Year
Governmental activities:					
Accumulated sick leave	\$ 403,824	\$ 99,416	\$ 34,078	\$ 469,162	\$ 95,000

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS

The District purchased property from the Sisters of Divine Providence in December 2013 to be used for the construction of a new middle school. The property was purchased with the execution of a promissory note to the Sisters of Divine Providence in the amount of \$1,000,000. The note is to be paid in five equal payments each December until retired. The note bears no interest and the Board chose not to impute interest due to immateriality.

The following is a summary of the District's note payable transactions for the year ended June 30, 2015:

	Amount of Debt Outstanding July 1, 2014	Additions of New Debt	Repayments	Debt Outstanding June 30, 2015	Amount Expected to be Paid Within One Year
Governmental activities:					
Note payable	\$ 800,000	\$ -	\$ 200,000	\$ 600,000	\$ 200,000

The minimum obligations of the District at June 30, 2015 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2015-16	\$ 200,000	\$ -	\$ 200,000
2016-17	200,000	-	200,000
2017-18	<u>200,000</u>	-	<u>200,000</u>
	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Corbin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2005	\$ 530,000	3.1% to 3.6%
2007	15,005,000	3.6% to 4.0%
2011R	396,000	1.75%
2011	950,000	2.1% to 3.05%
QZAB 2011	5,000,000	4.35%
2012	2,600,000	1.0%
2014R	9,605,000	2.0% to 3.75%
QZAB 2014	1,395,000	1.0%
2015	1,626,000	1.0% to 4.0%

The following is a summary of the District's bonded debt transactions for the year ended June 30, 2015:

	<u>Amount of Debt Outstanding July 1, 2014</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2015</u>	<u>Amount Expected to be Paid Within One Year</u>
Governmental activities:					
General obligation bonds	\$26,139,917	\$ 1,626,000	\$ 1,243,788	\$ 26,522,129	\$ 1,284,771
Qualified zone academy bonds	4,444,444	1,395,000	277,778	5,561,666	307,778
	<u>\$30,584,361</u>	<u>\$ 3,021,000</u>	<u>\$ 1,521,566</u>	<u>\$ 32,083,795</u>	<u>\$ 1,592,549</u>

In 2015, the District issued \$1,626,000 of School Building Revenue Bonds. After deducting the costs of issuance and bond fees of \$28,781, proceeds in the amount of \$1,597,219 were deposited into the construction fund.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Kentucky School Facility Construction Commission</u>		<u>Corbin Independent School District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015-16	\$ 226,630	\$ 112,045	\$ 1,058,141	\$ 760,996	\$ 2,157,812
2016-17	293,094	130,074	1,044,264	725,006	2,192,438
2017-18	285,134	124,697	1,131,866	689,320	2,231,017
2018-19	290,897	119,112	1,172,103	650,285	2,232,397
2019-20	296,719	113,138	1,212,281	609,815	2,231,953
2020-21	277,696	106,646	1,244,304	567,783	2,196,429
2021-22	261,218	99,937	1,287,782	524,011	2,172,948

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

Year	Kentucky School Facility Construction Commission		Corbin Independent School District		Total
	Principal	Interest	Principal	Interest	
2022-23	268,606	93,148	1,347,394	476,830	2,185,978
2023-24	276,547	85,403	1,396,453	426,570	2,184,973
2024-25	284,839	76,890	1,440,161	374,564	2,176,454
2025-26	293,335	68,114	1,548,665	319,791	2,229,905
2026-27	303,226	58,869	1,656,774	260,720	2,279,589
2027-28	240,005	49,138	1,731,995	178,008	2,199,146
2028-29	246,741	41,912	1,787,259	119,182	2,195,094
2029-30	234,697	34,375	1,852,303	54,120	2,175,495
2030-31	187,061	27,627	212,939	16,726	444,353
2031-32	196,017	21,648	219,983	10,187	447,835
2032-33	186,260	15,296	228,740	3,431	433,727
2033-34	104,000	9,920	-	-	113,920
2034-35	108,000	5,680	-	-	113,680
2035-36	88,000	1,760	-	-	89,760
	<u>\$ 4,948,722</u>	<u>\$ 1,395,429</u>	<u>\$ 21,573,407</u>	<u>\$ 6,767,345</u>	<u>\$ 34,684,903</u>

In 2015, the District issued \$1,395,000 of Qualified Zone Academy Bonds, Taxable Series of 2014 (QZAB's - Tax Credit to Owner). After deducting the bond discount of \$13,950 and costs of issuance fees of \$13,950, proceeds in the amount of \$1,367,100 were deposited into the construction fund for improvements made at the Area Technology Center.

The District issued \$5,000,000 of Qualified Zone Academy Bonds, Series 2011 to fund additions and renovations at the Corbin High School. This bond issue will be funded through sinking fund payments and matures September 2029. This bond issue was issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the bonds.

The following represents the future minimum obligations of the District related to these two QZAB issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2015 for debt service (principal and interest):

Year	Corbin Independent School District		Corbin Independent School District	Kentucky School Facility Construction Commission	(ARRA) Direct Pay	2011 QZAB	Total
	Principal	Interest	Sinking Fund	Sinking Fund	Interest	Principal	
2015-16	\$ 30,000	\$ 13,800	\$ 100,032	\$ 177,746	\$ 217,500	\$ -	\$ 539,078
2016-17	30,000	13,500	100,032	177,746	217,500	-	538,778
2017-18	30,000	13,200	100,032	177,746	217,500	-	538,478
2018-19	30,000	12,900	100,032	177,746	217,500	-	538,178

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

Year	Corbin Independent School District		Corbin Independent School District	Kentucky School Facility Construction Commission	(ARRA) Direct Pay	2011 QZAB	Total
	Principal	Interest	Sinking Fund	Sinking Fund	Interest	Principal	
2019-20	30,000	12,600	100,032	177,746	217,500	-	537,878
2020-21	30,000	12,300	100,032	177,746	217,500	-	537,578
2021-22	30,000	12,000	100,032	177,746	217,500	-	537,278
2022-23	30,000	11,700	100,032	177,746	217,500	-	536,978
2023-24	30,000	11,400	100,032	177,746	217,500	-	536,678
2024-25	30,000	11,100	100,032	177,746	217,500	-	536,378
2025-26	30,000	10,800	40,526	177,746	217,500	-	476,572
2026-27	30,000	10,500	-	-	217,500	-	258,000
2027-28	30,000	10,200	-	-	217,500	-	257,700
2028-29	30,000	9,900	-	-	217,500	-	257,400
2029-30	30,000	9,600	-	-	108,750	1,170,614	1,318,964
2030-31	95,000	8,975	-	-	-	-	103,975
2031-32	95,000	8,025	-	-	-	-	103,025
2032-33	95,000	7,075	-	-	-	-	102,075
2033-34	330,000	4,950	-	-	-	-	334,950
2034-35	330,000	1,650	-	-	-	-	331,650
	<u>\$ 1,395,000</u>	<u>\$ 206,175</u>	<u>\$ 1,040,846</u>	<u>\$ 1,955,206</u>	<u>\$3,153,750</u>	<u>\$ 1,170,614</u>	<u>\$8,921,591</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District was assessed a total of \$238,946 due to the Kentucky School Board Insurance Trust shortfall in the prior year. The assessment was divided into two components; workers compensation assessments totaling \$191,688, and property and liability assessments totaling \$47,258. The District chose to pay the entire amount of the property and liability assessment before August 31, 2014. For the workers compensation assessment, the District has several options of repayment of the liability but has chosen the zero interest option which will require them to pay 25% of the assessment by August 31, 2014 and the remainder over the next six years in equal installments. There were no changes in the assessment during the year ending June 30, 2015.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – PENSION PLANS

Plan Descriptions

The Corbin Independent School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

KTRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salary for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of credited service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – PENSION PLANS (CONTINUED)

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; and (d) two percent (2%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 15.355 percent of salaries for federally funded employees and 2.25 percent of salaries for non-federally funded employees. Contributions to the pension plan from the District were \$396,042.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$73,093,386.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – PENSION PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was zero percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,581,725 and revenue of \$3,581,725 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a program of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – PENSION PLANS (CONTINUED)

statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were \$612,515.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$3,614,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.111387 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$289,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$470,198 and (2) Deferred inflows of resources for differences between expected and actual experience of \$403,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$470,198 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in the future years.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 – PENSION PLANS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 11 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – DEFICIT OPERATING/FUND BALANCES

The District did not have any deficit fund balances at June 30, 2015. They also had no funds with deficit operating balances at June 30, 2015.

NOTE 13 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Building/FSPK	Debt Service	Debt service requirement	\$ 1,579,586
Operating	General	Special Revenue	Matching – Phase II Technology	62,469
Operating	Capital Outlay	Debt Service	Debt service requirement	306,763
Operating	Building/FSPK	Construction	Construction	246,212
Operating	Building/FSPK	General	Construction	552,205
Operating	Special Revenue	Debt Service	Debt service requirement	6,665
Operating	Special Revenue	Construction	Construction	30,880

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2015.

NOTE 15 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2015 is as follows:

Payments made by the State for fringe benefits of District employees and technology expenses were included in the following functional expense classifications:

Instruction	\$ 2,710,823
Support services:	
Student	75,100
Instructional staff	54,947
District administration	145,950
School administration	256,574
Business	129,056
Plant operations and maintenance	491,656
Student transportation	154,804
Other instructional	1,166
Food service	288,563
Day care	70,089
Total	<u>\$ 4,378,728</u>

Payments made by the KSFCC for its participation in the District's bonds were included in debt service expenditures

\$ 492,987

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 95,000	Accumulated sick leave
Construction	1,284,196	Future construction

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2014, the District was required to adopt Government Accounting Standards Board (GASB) Statement no 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trust or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$3,728,000 reduction in beginning net position on the Statement of Activities and an increase of \$67,198 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE 18 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through September 28, 2015, the date on which we issued our financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2015

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District and PSCA's proportion of the net pension liability	.111387%
District and PSCA's proportionate share of the net pension liability	\$ 3,614,000
District and PSCA's covered-employee payroll	\$ 2,667,016
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.51%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 73,093,386
District's covered-employee payroll	\$ 11,610,462
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Year Ended June 30, 2015

	<u>2015</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
Contractually required contribution	\$ 612,515
Contributions in relation to the contractually required contribution	<u>(612,515)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 2,660,999
District and PSCA's contributions as a percentage of its covered-employee payroll	17.67%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 11,610,462
District's contributions as a percentage of its covered-employee payroll	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

(1) CHANGES OF ASSUMPTIONS

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liability for purposes of determining the actuarially determined contributions.

CERS

There were no changes of assumptions.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for KTRS or CERS.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Taxes				
Property	\$ 1,844,000	\$ 1,848,990	\$ 1,957,646	\$ 108,656
Motor vehicle	415,000	415,000	460,052	45,052
Utilities	620,000	620,000	630,780	10,780
Earnings on investments	5,000	5,000	2,482	(2,518)
Other local revenues	151,858	146,868	464,683	317,815
Intergovernmental – state	15,573,792	16,009,015	16,719,769	710,754
Intergovernmental – indirect federal	6,500	6,500	39,712	33,212
TOTAL REVENUES	<u>18,616,150</u>	<u>19,051,373</u>	<u>20,275,124</u>	<u>1,223,751</u>
EXPENDITURES				
Instruction	12,324,056	12,573,974	12,741,252	(167,278)
Support services:				
Student	377,665	426,773	400,548	26,225
Instructional staff	307,709	310,403	293,060	17,343
District administration	954,832	859,652	778,425	81,227
School administration	1,423,417	1,437,077	1,368,441	68,636
Business	606,507	645,587	755,048	(109,461)
Plant operations and maintenance	1,914,702	2,090,645	2,264,705	(174,060)
Student transportation	1,137,683	1,137,683	1,183,190	(45,507)
Other instructional	13,765	13,765	5,055	8,710
Contingency	1,048,390	1,048,390	-	1,048,390
TOTAL EXPENDITURES	<u>20,108,726</u>	<u>20,543,949</u>	<u>19,789,724</u>	<u>754,225</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,492,576)</u>	<u>(1,492,576)</u>	<u>485,400</u>	<u>1,977,976</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	552,205	552,205
Operating transfers out	(30,000)	(30,000)	(62,469)	(32,469)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,000)</u>	<u>(30,000)</u>	<u>489,736</u>	<u>519,736</u>
NET CHANGES IN FUND BALANCE	(1,522,576)	(1,522,576)	975,136	2,497,712
FUND BALANCE, JULY 1, 2014	<u>1,617,576</u>	<u>1,617,576</u>	<u>1,617,576</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 2,592,712</u>	<u>\$ 2,497,712</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2015

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Favorable or (Unfavorable)</u>
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	-	-
Other local revenues	120,484	120,484	136,675	16,191
Intergovernmental – state	1,081,638	1,143,333	1,148,976	5,643
Intergovernmental – direct federal	1,384,259	1,945,121	2,297,497	352,376
TOTAL REVENUES	<u>2,586,381</u>	<u>3,208,938</u>	<u>3,583,148</u>	<u>374,210</u>
EXPENDITURES				
Instruction	2,124,973	2,773,024	3,092,962	(319,938)
Support services:				
Student	30,000	30,000	30,000	-
Instructional staff	144,691	151,211	169,095	(17,884)
District administration	-	-	-	-
School administration	81,000	81,000	81,000	-
Plant operations and maintenance	-	-	-	-
Student transportation	23,333	23,333	22,176	1,157
Community services activities	212,384	212,839	212,839	-
TOTAL EXPENDITURES	<u>2,616,381</u>	<u>3,271,407</u>	<u>3,608,072</u>	<u>(336,665)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,000)</u>	<u>(62,469)</u>	<u>(24,924)</u>	<u>37,545</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	30,000	62,469	62,469	-
Operating transfers out	-	-	(37,545)	(37,545)
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,000</u>	<u>62,469</u>	<u>24,924</u>	<u>(37,545)</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2014	-	-	-	-
FUND BALANCE, JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2015

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt a working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ -	\$ -	\$ (182,407)	\$ -	\$ (182,407)
Accounts receivable	-	-	1,597,219	-	1,597,219
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,414,812</u>	<u>\$ -</u>	<u>\$ 1,414,812</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 61,574	\$ -	\$ 61,574
Construction retainage payable	-	-	69,042	-	69,042
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>130,616</u>	<u>-</u>	<u>130,616</u>
FUND BALANCES					
Restricted					
Future construction projects (BG-1)	-	-	1,284,196	-	1,284,196
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>1,284,196</u>	<u>-</u>	<u>1,284,196</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,414,812</u>	<u>\$ -</u>	<u>\$ 1,414,812</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 802,626	\$ -	\$ -	\$ 802,626
Earnings on investments	-	-	804	-	804
Intergovernmental – state	270,178	1,485,084	-	492,987	2,248,249
Intergovernmental – direct federal	-	-	-	201,882	201,882
TOTAL REVENUES	<u>270,178</u>	<u>2,287,710</u>	<u>804</u>	<u>694,869</u>	<u>3,253,561</u>
EXPENDITURES					
Payment of bonds	-	-	-	1,521,566	1,521,566
Payment of interest	-	-	-	1,113,331	1,113,331
Payment of note	-	-	200,000	-	200,000
Land improvements	-	-	426,812	-	426,812
Building acquisitions and construction	-	-	317,185	-	317,185
Site improvement	-	-	1,226,926	-	1,226,926
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,170,923</u>	<u>2,634,897</u>	<u>4,805,820</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>270,178</u>	<u>2,287,710</u>	<u>(2,170,119)</u>	<u>(1,940,028)</u>	<u>(1,552,259)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	3,021,000	-	3,021,000
Bond discount	-	-	(13,950)	-	(13,950)
Bond fees/issuance costs	-	-	(42,731)	-	(42,731)
Operating transfers in	-	-	277,092	1,893,014	2,170,106
Operating transfers out	<u>(306,763)</u>	<u>(2,378,003)</u>	<u>-</u>	<u>-</u>	<u>(2,684,766)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(306,763)</u>	<u>(2,378,003)</u>	<u>3,241,411</u>	<u>1,893,014</u>	<u>2,449,659</u>
NET CHANGES IN FUND BALANCES	(36,585)	(90,293)	1,071,292	(47,014)	897,400
FUND BALANCES, JULY 1, 2014	<u>36,585</u>	<u>90,293</u>	<u>212,904</u>	<u>47,014</u>	<u>386,796</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,284,196</u>	<u>\$ -</u>	<u>\$ 1,284,196</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
CORBIN HIGH SCHOOL
Year Ended June 30, 2015

ACCOUNTS:	Cash Balances <u>July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>
General	\$ 1,185	\$ 22,249	\$ 24,239	\$ 1,062
First Priority	-	190	-	-
Academic Team	-	850	826	-
Annual	5,315	11,294	10,875	-
Art Club	651	892	639	-
Athletics	26,586	144,453	122,444	(1,159)
Academic Boosters	2,103	2,100	2,171	-
ATC	3	2,989	2,218	-
Band	239	3,199	3,199	-
Baseball Field	3,109	1,442	3,551	(1,000)
Beta Club	126	2,800	2,464	300
Bowling - Boys	1,084	2,667	2,439	-
Bowling - Girls	1,077	2,667	2,373	-
Boys Camp	3,568	10,814	7,648	-
Cheerleaders	7,909	43,348	48,496	(180)
Choir	1,307	2,821	2,573	842
Cross Country	304	7,438	5,838	480
Dance Team	1,926	10,097	7,095	-
Jimmy Durham	496	1,055	846	-
Equipment Room	201	3,953	4,102	-
FACS	597	3,441	2,154	1,400
FBLA	483	5,724	6,135	-
Book Rental	-	17,133	18,713	1,580
FCCLA	864	1,341	1,164	-
Fishing Team	116	5,052	2,970	-
Football Camp	390	-	389	-
Football Officials	45	1,440	1,665	180
Girls Camp	2,179	7,170	9,415	100
Guidance	105	210	195	-
Photo Club	110	20	90	(40)
LED Account	60	45	-	-
Library Department	63	89	-	-
Science Class	7	-	-	-
Lost/Damaged Books	14	-	-	-
Senior Class	370	472	-	-
Senior Science	13	64,129	64,487	845
Spanish Club	35	541	455	-
Student Council	271	574	669	-
Swim Team	594	3,133	2,897	-
CHS Photography	-	60	-	40
Duel Credit	-	36,256	33,131	(3,123)
Junior Class	-	7,645	4,789	(1,400)
Softball	648	21,957	18,972	-
Track - Boys	1,684	1,990	3,299	(340)
Track - Girls	1,147	2,380	3,299	(140)
Pep Club	356	-	-	-
ROTC	2,286	7,223	7,002	-

Cash Balances <u>June 30, 2015</u>	Accounts Receivable June 30, <u>2015</u>	Accounts Payable June 30, <u>2015</u>	Fund Balances June 30, <u>2015</u>
\$ 257	\$ -	\$ -	\$ 257
190	-	-	190
24	-	-	24
5,734	-	-	5,734
904	-	-	904
47,436	-	-	47,436
2,032	-	-	2,032
774	-	-	774
239	-	-	239
-	-	-	-
762	-	-	762
1,312	-	-	1,312
1,371	-	-	1,371
6,734	-	-	6,734
2,581	-	-	2,581
2,397	-	-	2,397
2,384	-	-	2,384
4,928	-	-	4,928
705	-	-	705
52	-	-	52
3,284	-	-	3,284
72	-	-	72
-	-	-	-
1,041	-	-	1,041
2,198	-	-	2,198
1	-	-	1
-	-	-	-
34	-	-	34
120	-	-	120
-	-	-	-
105	-	-	105
152	-	-	152
7	-	-	7
14	-	-	14
842	-	-	842
500	-	-	500
121	-	-	121
176	-	-	176
830	-	-	830
100	-	-	100
2	-	-	2
1,456	-	-	1,456
3,633	-	-	3,633
35	-	-	35
88	-	-	88
356	-	-	356
2,507	-	-	2,507

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
CORBIN HIGH SCHOOL
Year Ended June 30, 2015

ACCOUNTS:	Cash Balances <u>July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
Key Club	-	120	112	-
Teacher's Lounge	50	1,820	1,212	-
Tennis - Boys	370	1,778	1,202	(200)
Tennis - Girls	212	1,776	751	(100)
Ky Junior Historical	-	3,641	3,641	-
Thespian Society	1,520	29,149	12,374	(342)
Boys Golf	-	5,323	4,087	-
Girls Golf	52	500	442	390
National Honor Society	2	1,230	871	-
Volleyball	405	9,935	9,055	250
Business Management	-	197	-	-
CHS Book Fees	-	9,815	10,693	900
Odyssey of the Mind	-	4,892	4,605	-
Vegas Club	166	-	-	-
Parking Passes	-	1,370	1,100	-
Soccer - Boys	305	2,000	1,600	(305)
Soccer - Girls	915	1,600	1,595	(40)
Weight Room	260	-	-	-
Testing	-	418	314	-
Y - Club	10	20,395	20,298	-
YSC	445	2,445	2,820	-
Totals	<u>\$ 74,338</u>	<u>\$ 563,747</u>	<u>\$ 512,698</u>	<u>\$ -</u>

Cash Balances <u>June 30, 2015</u>	Accounts Receivable June 30, <u>2015</u>	Accounts Payable June 30, <u>2015</u>	Fund Balances June 30, <u>2015</u>
8	-	-	8
658	-	-	658
746	-	-	746
1,137	-	-	1,137
-	-	-	-
17,953	-	-	17,953
1,236	-	-	1,236
500	-	-	500
361	-	-	361
1,535	-	-	1,535
197	-	-	197
22	-	-	22
287	-	-	287
166	-	-	166
270	-	-	270
400	-	-	400
880	-	-	880
260	-	-	260
104	-	-	104
107	-	-	107
70	-	-	70
<u>\$ 125,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,387</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2015

	Cash Balances <u>July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
CORBIN MIDDLE SCHOOL				
All activity funds	\$ 33,108	\$ 182,340	\$ 173,922	\$ -
Charitable gaming fund	799	8,654	7,573	-
	<u>\$ 33,907</u>	<u>\$ 190,994</u>	<u>\$ 181,495</u>	<u>\$ -</u>
CORBIN ELEMENTARY SCHOOL				
All funds	<u>\$ 6,475</u>	<u>\$ 67,040</u>	<u>\$ 61,934</u>	<u>\$ -</u>
CORBIN PRIMARY SCHOOL				
All activity funds	\$ 4,900	\$ 75,610	\$ 75,408	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 4,925</u>	<u>\$ 75,610</u>	<u>\$ 75,408</u>	<u>\$ -</u>
CORBIN EDUCATION CENTER				
All funds	<u>\$ 2,405</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
CORBIN INTERMEDIATE SCHOOL				
All activity funds	\$ 13,777	\$ 64,206	\$ 63,375	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 13,802</u>	<u>\$ 64,206</u>	<u>\$ 63,375</u>	<u>\$ -</u>

<u>Cash Balances</u> <u>June 30, 2015</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2015</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2015</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2015</u>
\$ 41,526	\$ 177	\$ 3,270	\$ 38,433
1,880	-	-	1,880
<u>\$ 43,406</u>	<u>\$ 177</u>	<u>\$ 3,270</u>	<u>\$ 40,313</u>
<u>\$ 11,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,581</u>
\$ 5,102	\$ -	\$ -	\$ 5,102
25	-	-	25
<u>\$ 5,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,127</u>
<u>\$ 2,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,406</u>
\$ 14,608	\$ -	\$ 294	\$ 14,314
25	-	-	25
<u>\$ 14,633</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 14,339</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-14	\$ 493,438*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-13	125,934*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-12	107*
Special Education – Preschool Grants (IDEA, Preschool)	84.173	3800002-13	9,307*
Special Education – Preschool Grants (IDEA, Preschool)	84.173A	3800002-12	759*
Total Special Education Cluster (IDEA)			<u>629,545</u>
TITLE I, PART A CLUSTER			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100002-14	368,176*
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100002-13	<u>247,562*</u>
Total Title I, Part A Cluster			<u>615,738</u>
Vocational Education – Basic Grants to States	84.048	3710002-14	14,751
Vocational Education – Basic Grants to States	84.048	3710002-13	651
Improving Teacher Quality State Grants	84.367	3230002-14	116,330
Improving Teacher Quality State Grants	84.367	3230002-13	6,627
Race to the Top	84.413A	3960002-11	9,347
Twenty-First Century Community Learning Centers	84.287	3400002-13	302,520*
Twenty-First Century Community Learning Centers	84.287	3400002-12	244,898*
Fund for the Improvement of Education	84.215G	6104	35,022
Fund for the Improvement of Education	84.215E	566AK	2,263
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313A	18,946
Rural Education	84.358B	3140002-14	35,743
Rural Education	84.358B	3140002-13	18,508
Safe and Drug-Free Schools and Communities - National Programs	84.184G	534AG	<u>102,550</u>
Total U.S. Department of Education			<u>\$ 2,153,439</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005-14	\$ 53,918*
	10.553	7760005-15	189,088*

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>			
National School Lunch Program	10.555	7750002-14	132,430*
	10.555	7750002-15	497,890*
Summer Food Service Program for Children	10.559	7690024-14	3,059*
	10.559	7690024-15	261*
	10.559	7740023-14	29,610*
	10.559	7740023-15	67,640*
Total Child Nutrition Cluster			<u>973,896</u>
 EMERGENCY FOOD ASSISTANCE CLUSTER			
Emergency Food Assistance Program – non-cash	10.555	4005381	<u>79,453</u>
Total U.S. Department of Agriculture			<u>\$ 1,053,349</u>
 <u>National Oceanic and Atmospheric Administration</u>			
Congressionally Identified Awards and Projects	11.469	2704	<u>\$ 2</u>
Total National Oceanic and Atmospheric Administration			<u>\$ 2</u>
 <u>U.S. Department of Defense</u>			
Junior Reserve Officers' Training Corps	12.000	504A	\$ 64,888
Junior Reserve Officers' Training Corps	12.000	5044	<u>30,885</u>
Total U.S. Department of Defense			<u>\$ 95,773</u>
 <u>U.S. Department of Health and Human Services</u>			
Assistance Programs for Chronic Disease Prevention and Control	93.945	0242050L-15	\$ 5,000
Substance Abuse and Mental Health Services - Projects of			
Regional and National Significance	93.243	55IAL	<u>43,281</u>
Total U.S. Department of Health and Human Services			<u>\$ 48,281</u>
Total Expenditures of Federal Awards			<u>\$ 3,350,844</u>

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corbin Independent School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Corbin Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Corbin Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement notes	_____	Yes	<u>✓</u> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditor's report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I Grants to Local Educational Agencies
84.027/84.173/84.287	Special Education
10.555/10.553/10.559	Child Nutrition

Dollar threshold used to distinguish between Type A and Type B program	\$ 500,000
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Auditee qualified as low risk	<u>✓</u>	Yes	_____	No
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Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2015

There were no prior year audit findings.

Marr, Miller & Myers, PSC

Certified Public Accountants
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P.O. Box 663
Corbin, Kentucky 40702

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 28, 2015

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Marr, Miller & Myers, PSC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II to the Independent Auditor's Contract – State Audit Requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

September 28, 2015

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Corbin Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Marr, Miller & Myers, PSC

Opinion on Each Major Federal Program

In our opinion, the District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Marr, Miller & Myers, PSC

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P.O. Box 663
Corbin, Kentucky 40702

September 28, 2015

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

In planning and performing our audit of the financial statements of the Corbin Independent School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we noted no areas that we felt warranted any additional comments or recommendations.

Marr, Miller & Myers, PSC

Certified Public Accountants